

CITY OF PLEASANT HILL
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

June 30, 2004

CITY OF PLEASANT HILL

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CITY OF PLEASANT HILL

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Langerud	Mayor	Dec 2005
Joe Rivas	Mayor pro tem	Dec 2004
Jason Dively	Council Member	Dec 2005
Martha Miller	Council Member	Dec 2005
Joe Rivas	Council Member	Dec 2007
Nicholas Sikes	Council Member	Dec 2007
Gay Wilson	Council Member	Dec 2007
Bob Fagen	City Administrator	
Joni Haag	City Clerk	
Edwin Skinner	Attorney	Indefinite



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pleasant Hill, Iowa as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Pleasant Hill's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the aforementioned financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Pleasant Hill at June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 17, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*.

In accordance with *Government Auditing Standards*, we have also issued our reports dated August 25, 2004 on our consideration of the City of Pleasant Hill's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 10 and 26 through 27 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Pleasant Hill's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Martens & Company, CPA, P.C.

West Des Moines, Iowa
August 25, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Pleasant Hill provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

FINANCIAL HIGHLIGHTS

- The City's governmental funds' receipts decreased 24%, or approximately \$2,660,000, from fiscal year 2003 (FY03). Property tax increased approximately \$848,000 due to increased property valuations. Bond proceeds decreased \$3,990,000.
- City program disbursements increased 23%, or approximately \$1,440,000, from FY03. Public works, public safety, community and economic development, general government, and capital projects expense increased approximately \$66,000, \$55,000, \$721,000, \$97,000 and \$1,067,000, respectively. Debt service decreased \$635,000.
- The City's governmental funds' cash basis net assets at June 30, 2004 increased approximately 13%, or approximately \$720,000, from June 30, 2003.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consists of a statement of activities and changes in cash balances. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Supplementary Information provides detailed information about the annual budget, nonmajor governmental funds and debt obligations.

Other supplementary information provides detail information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about individual, significant funds; not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City can establish other funds to help it control and manage money for particular purposes.

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. They focus on how money flows into and out of the funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund 4) the Capital Projects Fund and 5) the Permanent Fund. The government fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide statement of activities and changes in cash balance. The City maintains three Enterprise Funds to provide separate information for the water, and sewer funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Government Activities

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$5.64 million to \$6.36 million. The analysis that follows focuses on the changes in cash balances.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2004	2003
Receipts and transfers:		
Program receipts:		
Charges for service and sales	\$ 373	\$ 314
Operating grants, contributions and restricted interest	587	603
Capital grants, contributions and restricted interest	1,043	624
General receipts:		
Property tax	3,963	3,115
Grants and contributions not restricted to specific purposes	23	74
Unrestricted investment earnings	45	29
Bond proceeds	2,000	5,990
Other general receipts	204	149
Transfers, net	141	56
Total receipts and transfers	8,379	10,954
Disbursements:		
Public safety	1,036	981
Public works	568	502
Health and social services	6	6
Culture and recreation	503	503
Community and economic development	1,016	295
General government	347	250
Debt service	1,348	1,983
Capital projects	2,835	1,699
Total disbursements	7,659	6,219
Increase in cash balance	720	4,735
Cash basis net assets beginning of year	5,635	900
Cash basis net assets end of year	\$ 6,355	\$ 5,635

The City's total receipts for governmental activities decreased by 24 percent (\$2,660,000). The total cost of all programs and services increased by approximately \$1,440,000 or 23.0 percent with no new programs added this year.

Based on increases in the total assessed valuation and expanded tax increment finance districts, property tax receipts are budgeted to increase by an additional \$100,000 next year.

The cost of all governmental activities this year was \$7.66 million compared to \$6.22 million last year. However, as shown in the statement of activities and net assets on page 11, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$5.656 million because some of the cost was paid by those directly benefitted from the programs (\$373,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,630,000). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, increased in 2004 from approximately \$1,541,000 to approximately \$2,003,000, principally due to an increase in capital grants, contributions and restricted interest. The City paid for the remaining public benefit portion of governmental activities with approximately \$3,963,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Business Type Activities

Changes in Cash Basis Net Assets of Business-Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2004	2003
Receipts:		
Program receipts:		
Charges for service and sales:		
Water	\$ 966	\$ 883
Sewer	795	856
Solid waste	199	176
General receipts:		
Other general receipts	1	-
Total receipts	1,961	1,915
Disbursements:		
Water	666	729
Sewer	878	708
Solid waste	189	168
Transfers	141	56
Total disbursements and transfers	1,874	1,661
Increase in cash balance	87	254
Cash basis of net assets beginning of year	939	685
Cash basis net assets end of year	\$ 1,026	\$ 939

Total business-type activities receipts for the fiscal year were \$1,961 million compared to \$1.915 million last year. This increase was due primarily to the increase in service and sales receipts. The cash balance increased by approximately \$87,000 from the prior year. Total disbursements and transfers for the fiscal year increased by approximately 13 percent to a total of \$1,874 million due to increased amounts paid to the Des Metropolitan Wastewater Reclamation Authority.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Pleasant Hill completed the year, its governmental funds reported a combined fund balance of \$6,354,975, an increase of more than \$719,501 above last year's total of \$5,635,474. The following are the major reasons for the changes in cash balances from the prior year for the City's major funds.

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$1,009,966, an increase of \$309,902 from the prior year. Most of this increase was due to increased property tax revenue resulting from an increased tax base.
- The Urban Renewal Tax Increment Fund was established to account for a major urban renewal project within the City's TIF district. At the end of the fiscal year, the cash balance was \$54,817, an increase of \$54,817 from the previous year. The increase was the result of additional funding received for the Pleasant Hill Boulevard Project TIF district. Any TIF debt will be paid off with incremental property taxes generated from the increased taxable valuation in the district.
- The Debt Service Fund cash balance increased by \$17,615 to \$19,276. This increase was due to an increase in property tax. Bond principal and interest payments increased by \$54,034.
- The Capital Projects Fund was established to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through Enterprise Funds. At the end of the fiscal year, the cash balance was \$4,971,355, an increase of \$276,803 from the prior year. The issuance of new bonds for acquisition and renovation of the City Hall building accounts for most of the increase.

The cash balance of the Sewer Fund decreased by approximately \$96,443 to \$326,715 due primarily to additional costs from the Des Moines WRA.

BUDGETARY HIGHLIGHTS

DEBT ADMINISTRATION

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2004	2003
General obligation bonds	\$ 11,170	\$ 10,135
Revenue bonds	2,933	3,180
Capital leases	44	71
Total	\$ 14,147	\$ 13,386

Debt increased as a result of issuing general obligation urban renewal bonds for the acquisition and renovation of the City Hall building.

The City does not have a general obligation bond rating. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$14.15 million is below the City's \$17.92 million legal debt limit.

More detailed information about the City's long-term liabilities is presented in Notes 3, 4, 5 and 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2004 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's population growth since the 1990 census stands at approximately 81.7%. Unemployment in the greater Des Moines area stands at 3.6 percent. This compares with the state unemployment rate of 4.0 percent.

The U.S. Consumer Price Index (CPI) is a measure of the changes in retail prices of a fixed market grouping of consumer goods and services. The CPI-U for July 2003 was 183.9. For the 12 month period that ended in July, the CPI-U increased 4.0 percent.

These indicators were taken into account when adopting the budget for 2005. Amounts available for appropriation in the budget are \$9,646,010 million, an increase of 64 percent over the final 2004 budget. Property tax (benefitting from increases in valuation) and proceeds from the tax increment financing revenue are expected to lead this increase. The City will use these to finance programs currently offered and to defray the costs of carrying out the City's continued economic development. Budgeted disbursements are expected to rise by approximately \$4.77 million. Increased wage and cost-of-living adjustments and increases in capital improvement projects represent the largest increases.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$3.72 million by the close of fiscal year 2005.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joni Haag, City Clerk, Pleasant Hill, Iowa 50327.

Basic Financial Statements

CITY OF PLEASANT HILL

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2004

	Disbursements	Program Receipts			Net (Disbursements)Receipts and Changes in Cash Basis Net Assets		
		Charges for Service and Sales	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs:							
Governmental activities:							
Public safety	\$ 1,036,255	\$ 128,554	\$ 59,762	\$ -	\$ (847,939)	\$ -	\$ (847,939)
Public works	567,577	-	422,268	-	(145,309)	-	(145,309)
Health and social services	5,654	-	-	-	(5,654)	-	(5,654)
Culture and recreation	503,001	17,799	86,612	-	(398,590)	-	(398,590)
Community and economic development	1,015,949	221,426	-	-	(794,523)	-	(794,523)
General government	347,348	5,203	18,756	-	(323,389)	-	(323,389)
Debt service	1,347,848	-	-	-	(1,347,848)	-	(1,347,848)
Capital projects	2,835,298	-	-	1,042,946	(1,792,352)	-	(1,792,352)
Total governmental activities	7,658,930	372,982	587,398	1,042,946	(5,655,604)	-	(5,655,604)
Business-type activities:							
Water	666,290	966,614	-	-	-	300,324	300,324
Sewer	877,949	794,675	-	-	-	(83,274)	(83,274)
Solid waste	189,055	198,886	-	-	-	9,831	9,831
Total business-type activities	1,733,294	1,960,175	-	-	-	226,881	226,881
Total	\$ 9,392,224	\$2,333,157	\$ 587,398	\$1,042,946	(5,655,604)	226,881	(5,428,723)
General receipts:							
Property tax levied for:							
General purposes					1,841,491	-	1,841,491
Tax increment financing					1,294,555	-	1,294,555
Debt service					826,992	-	826,992
Grants and contributions not restricted to specific purpose					22,709	-	22,709
Unrestricted investment earnings					44,556	1,021	45,577
Bond proceeds					2,000,000	-	2,000,000
Miscellaneous					167,841	-	167,841
Sale of capital assets					35,857	-	35,857
Transfers					141,104	(141,104)	-
Total general receipts and transfers					6,375,105	(140,083)	6,235,022
Change in cash basis net assets					719,501	86,798	806,299
Cash basis net assets beginning of year					5,635,474	939,260	6,574,734
Cash basis net assets end of year					\$ 6,354,975	\$1,026,058	\$ 7,381,033
Cash Basis Net Assets							
Restricted:							
Streets					\$ 139,865	\$ -	\$ 139,865
Urban renewal purposes					62,926	-	62,926
Capital projects					4,971,355	-	4,971,355
Debt service					19,276	-	19,276
Other purposes					151,586	21,564	173,150
Unrestricted					1,009,967	1,004,494	2,014,461
Total cash basis net assets					\$ 6,354,975	\$1,026,058	\$ 7,381,033

See notes to financial statements.

CITY OF PLEASANT HILL

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2004

	Special Revenue				Other Nonmajor	
	General	Urban Renewal Tax Increment	Debt Service	Capital Projects	Governmental Funds	Total
Receipts:						
Property tax	\$1,799,597	\$ -	\$ 826,991	\$ -	\$ 41,894	\$ 2,668,482
Tax increment financing collections	- 989,105	-	-	305,450	1,294,555	
Other City tax	13,165	-	-	-	-	13,165
Licenses and permits	189,212	-	-	-	-	189,212
Uses of money and property	56,412	-	-	-	1,650	58,062
Intergovernmental	194,127	49,918	-	-	422,268	666,313
Charges for service	155,067	-	-	-	2,200	157,267
Special assessments	-	-	-	72,577	-	72,577
Miscellaneous	111,468	-	-	970,369	-	1,081,837
Total receipts	2,519,048	1,039,023	826,991	1,042,946	773,462	6,201,470
Disbursements:						
Operating:						
Public safety	989,361	-	-	-	46,894	1,036,255
Public works	210,047	-	-	-	357,530	567,577
Health and social services	5,654	-	-	-	-	5,654
Culture and recreation	503,001	-	-	-	-	503,001
Community and economic development	188,314	517,683	-	-	309,952	1,015,949
General government	347,348	-	-	-	-	347,348
Debt service	-	-	1,347,848	-	-	1,347,848
Capital projects	-	-	-	2,835,298	-	2,835,298
Total disbursements	2,243,725	517,683	1,347,848	2,835,298	714,376	7,658,930
Excess (deficiency) of receipts over (under) disbursements	275,323	521,340	(520,857)	(1,792,352)	59,086	(1,457,460)
Other financing sources (uses):						
Bond proceeds	-	-	-	2,000,000	-	2,000,000
Sale of assets	34,579	-	-	-	1,278	35,857
Operating transfers in	-	-	538,472	69,155	-	607,627
Operating transfers (out)	-	(466,523)	-	-	-	(466,523)
Total other financing sources (uses)	34,579	(466,523)	538,472	2,069,155	1,278	2,176,961
Net change in cash balances	309,902	54,817	17,615	276,803	60,364	719,501
Cash balances beginning of year	700,064	-	1,661	4,694,552	239,197	5,635,474
Cash balances end of year	\$1,009,966	\$ 54,817	\$ 19,276	\$4,971,355	\$ 299,561	\$ 6,354,975
Cash Basis Fund Balances						
Reserved:						
Debt service	\$ -	\$ -	\$ 19,276	\$ -	\$ -	\$ 19,276
Unreserved:						
General fund	1,009,966	-	-	-	-	1,009,966
Special revenue funds	-	54,817	-	-	260,214	315,031
Capital projects fund	-	-	-	4,971,355	-	4,971,355
Permanent fund	-	-	-	-	39,347	39,347
Total cash basis fund balances	\$1,009,966	\$ 54,817	\$ 19,276	\$4,971,355	\$ 299,561	\$ 6,354,975

See notes to financial statements.

CITY OF PLEASANT HILL

Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2004

	Enterprise Funds			
	Water	Sewer	Nonmajor Solid Waste	Total
Operating receipts:				
Use of money and property	\$ 23,100	\$ -	\$ -	\$ 23,100
Charges for service	864,724	794,675	198,886	1,858,285
Miscellaneous	78,790	-	-	78,790
Total operating receipts	966,614	794,675	198,886	1,960,175
Operating disbursements:				
Business-type activities	512,151	659,966	189,055	1,361,172
Total operating disbursements	512,151	659,966	189,055	1,361,172
Excess of operating receipts over operating disbursements	454,463	134,709	9,831	599,003
Non-operating receipts (disbursements):				
Interest on investments	1,021	-	-	1,021
Debt service	(154,139)	(217,983)	-	(372,122)
Total non-operating receipts (disbursements)	(153,118)	(217,983)	-	(371,101)
Excess (deficiency) of receipts over (under) disbursements	301,345	(83,274)	9,831	227,902
Operating transfers out	(127,936)	(13,168)	-	(141,104)
Net change in cash balances	173,409	(96,442)	9,831	86,798
Cash balances beginning of year	495,963	423,157	20,140	939,260
Cash balances end of year	\$ 669,372	\$ 326,715	\$ 29,971	\$1,026,058
Cash Basis Fund Balances				
Reserved for meter deposits	\$ 21,564	\$ -	\$ -	\$ 21,564
Unreserved	647,808	326,715	29,971	1,004,494
Total cash basis fund balances	\$ 669,372	\$ 326,715	\$ 29,971	\$1,026,058

See notes to financial statements.

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pleasant Hill is a political subdivision of the State of Iowa located in Polk County. It was incorporated in 1956 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Pleasant Hill has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Pleasant Hill has no component units which meet the Governmental Accounting Standards Board criteria.

Joint Venture

The City participates in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA). The WRA, a joint venture, was developed as the result of an agreement between the City of Des Moines and surrounding municipalities.

Jointly Governed Organization

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions; Polk County Assessor's Conference Board, Polk County Emergency Management Commission, Polk County Joint E911 Service Board, Des Moines Area Metropolitan Planning Organization and Polk County Firefighters Association.

B. Basis of Presentation

Government-wide Financial Statements - The statement of activities and net assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The statement of activities and net assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2004, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

(2) CASH AND POOLED INVESTMENTS - CONTINUED

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all category 1 which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

(3) BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

June 30,	General Obligation Bonds/Notes	
	Principal	Interest
2005	\$ 1,305,000	\$ 404,748
2006	1,175,000	357,985
2007	1,185,000	318,711
2008	1,075,000	278,172
2009	1,095,000	240,037
2010	1,030,000	200,440
2011	1,025,000	163,155
2012	1,025,000	125,545
2013	1,065,000	87,820
2014	215,000	47,550
2015	230,000	38,655
2016	235,000	28,955
2017	160,000	18,890
2018	170,000	13,130
2019	180,000	6,840
	<u>\$11,170,000</u>	<u>\$2,330,633</u>

Prior Years' Debt Defeasance

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2004, the amount of defeased debt outstanding but removed from the General Long-Term Debt Account Group amounted to \$1,900,000.

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

(3) BONDS AND NOTES PAYABLE - CONTINUED

Interfund Loan Agreement

On June 26, 2001, the City entered into an interfund loan agreement between the Sewer Rental Fund and the Tax Increment Fund to pay costs of improvements of \$105,000 with interest at 6.0% per annum. Payments shall be made on June 1 of each year to the extent there are incremental tax receipts available for such purpose which have been allocated or accrued to the Tax Increment Fund. Funds shall be credited first to accrued interest and then to outstanding principal. The outstanding balance of the loan at June 30, 2004 was \$89,450.

(4) JOINT VENTURE REVENUE BONDS

The City is a member of the Des Moines Metropolitan Wastewater Reclamation Authority (WRA), a joint venture established in accordance with the provisions of Chapter 28E of the Code of Iowa for the purpose of planning, constructing, operating and managing regional sanitary sewer facilities.

The City remains an ownership interest in the joint venture. The City's percentage ownership at June 30, 2004, is approximately 2 percent.

The WRA system is operated on a cost reimbursement basis whereby participating communities share in the costs of operations as set forth in the WRA Agreements. Contract payments made to the WRA for operations, maintenance and equipment replacement by the City for the year ended June 30, 2004, totaled \$297,839.

The WRA issues long-term debt and the City is responsible for a portion of the debt issued and will annually pay a portion of the bonds and interest due. During the year ended June 30, 2004, the City paid the WRA \$217,983 for debt service payments. A schedule of Pleasant Hill's portion of future principal and interest payments related to this debt is as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 144,820	\$ 59,504	\$ 204,324
2006	150,683	53,593	204,276
2007	157,099	47,185	204,284
2008	164,257	40,243	204,500
2009	170,981	32,715	203,696
2010	179,582	24,712	204,294
2011	110,344	16,264	126,608
2012	106,371	10,670	117,041
2013	23,371	5,257	28,628
2014	24,403	4,211	28,614

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

(4) JOINT VENTURE REVENUE BONDS - CONTINUED

Year Ending June 30,	Principal	Interest	Total
2015	25,435	3,120	28,555
2016	26,596	1,981	28,577
2017	9,138	791	9,929
2018	9,525	404	9,929
	<u>\$1,302,605</u>	<u>\$300,650</u>	<u>\$1,603,255</u>

On April 27, 2004 the City approved a new amended restated agreement to be effective July 1, 2004. This agreement transfers certain facilities from the City of Des Moines to the WRA and establishes a pro rata ownership interest in the facilities by the City. New bonds are to be issued for the purpose of acquiring the foregoing rights and interests to the transferred assets.

The financial statements for the Des Moines Metropolitan Wastewater Reclamation Authority can be obtained from the operating agency, the City of Des Moines.

(5) DES MOINES WATER WORKS REVENUE BONDS

The City entered into an agreement with the Des Moines Water Works to purchase capacity in the Des Moines Water Works water production and delivery systems. The City joined the Des Moines Water Works in the sale of water revenue bonds for this purpose. The water revenue bonds were issued May 15, 1997, and the City of Pleasant Hill's share of the debt issuance was \$1,920,000.

During the year ended June 30, 2004, the City paid Des Moines Water Works \$154,139 for debt service payments. The following is a schedule of the City's future principal and interest payments under this agreement:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 80,000	\$ 85,215	\$ 165,215
2006	85,000	80,863	165,863
2007	90,000	76,225	166,225
2008	95,000	71,323	166,323
2009	100,000	66,155	166,155
2010	105,000	60,723	165,723
2011	110,000	55,025	165,025

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

(5) DES MOINES WATER WORKS REVENUE BONDS - CONTINUED

Year Ending June 30,	Principal	Interest	Total
2012	115,000	49,005	164,005
2013	125,000	42,525	167,525
2014	130,000	35,640	165,640
2015	135,000	28,485	163,485
2016	145,000	20,925	165,925
2017	155,000	12,825	167,825
2018	160,000	4,320	164,320
	<u>\$1,630,000</u>	<u>\$689,254</u>	<u>\$2,319,254</u>

(6) LEASE PURCHASE AGREEMENTS

The City has entered into various lease purchase agreements to acquire vehicles. The agreements have interest rates ranging from 4.81% to 7.95% per annum. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreements in effect at June 30, 2004:

Year Ending June 30,	Total
2005	\$ 23,528
2006	<u>23,528</u>
Total minimum lease payments	47,056
Less amount representing interest	<u>3,192</u>
Present value of net minimum lease payments	<u>\$ 43,864</u>

Payments under lease agreements for the year ended June 30, 2004 totaled \$30,548.

(7) DEVELOPMENT AGREEMENTS

The City entered into a development agreement dated July 25, 2000 to assist in an urban renewal project. The City agreed to make economic development tax increment payments to the developer for ten years. In exchange, the developer made certain infrastructure improvements within the City's urban renewal area.

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

(7) DEVELOPMENT AGREEMENTS - CONTINUED

The incremental taxes to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of ten years and the total amount that will be rebated under the development agreement is not to exceed \$1,428,025, plus interest at 5% per annum for the first two years.

The outstanding balance of this development agreement at June 30, 2004, was \$1,133,400.

The City entered into an agreement with Metropolitan Residential Development Fund LC to construct appropriate street, storm sewer, sanitary sewer, water line and other improvements within Copper Creek. In recognition, the City made an economic development payment to the developer in the amount of \$350,000.

The City entered into an agreement with Pleasant Hill Centre LLC to construct a commercial project to be known as Pleasant Hill Centre. In recognition, the City agrees to make economic development tax increment payments to the developer for ten fiscal years, with total payments not to exceed \$1,150,000. Payments are to begin in the year in which incremental property tax revenues are first received by the City. The first payment is expected to be December 1, 2004.

(8) PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, 7401 Register Drive, Des Moines, IA 50321.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2004, was \$96,905, equal to the required contribution for the year.

(9) COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement, or death. Employees who have accrued 30 days of sick leave may elect, only once during the month of July, to sell back, at fifty percent value, any days in excess of 30 days payable during the month of December. Sick leave is not paid out upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

(9) COMPENSATED ABSENCES - CONTINUED

Type of Benefit	Amount
Vacation	\$ 67,000
Sick leave	36,800
Compensatory time	<u>17,600</u>
Total	<u>\$ 121,400</u>

This liability has been computed based on rates or pay in effect at June 30, 2004.

(10) RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$54,694 during the year ended June 30, 2004.

(11) RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 475 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

(11) RISK MANAGEMENT - CONTINUED

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2004 were \$16,000.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all liability claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a liability claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

(12) EDUCATION FACILITY REVENUE BONDS

On September 12, 2000, the City entered into a loan agreement and issued \$5,000,000 of Education Facility Revenue Bonds to provide funds to loan to Orchard Place - Child Guidance Center Project. The proceeds were to be used for the purpose of financing the costs of acquiring, improving, constructing, furnishing and equipping educational centers. The bonds and related interest are payable solely out of the net earnings of Orchard Place - Child Guidance Center and do not constitute liabilities of the City. Because the bonds are to be paid from other than City resources, the liability is not recorded on the Statement of Indebtedness (Exhibit C).

(13) IOWA EVENTS CENTER

An agreement was entered into by the City and Polk County, Iowa to commit City funding for the financing of the construction of the Iowa Events Center Project in Des Moines. The City is to provide a grant of \$5,000 per year to be used by the County for the project. The grant is being advanced over

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

(13) IOWA EVENTS CENTER - CONTINUED

10 years with payments beginning the fiscal year ending June 30, 2004, subject to annual budget allocation and approval.

(14) INDUSTRIAL DEVELOPMENT REVENUE BONDS

On January 8, 2002, the City approved issuance of a total of \$5,000,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$5,000,000 is outstanding at June 30, 2004. The bonds and related interest are payable solely from the funds of the borrower (Blood Center of Central Iowa), and the bond principal and interest do not constitute liabilities of the City.

(15) CONSTRUCTION CONTRACTS

The City has entered into various construction contracts totaling approximately \$6,563,000. The unpaid contract balances as of June 30, 2004 totaled approximately \$3,713,000 which will be paid as work progresses.

(16) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue:	
	TIF	\$ 466,523
	Enterprise:	
	Water	58,781
	Sewer	<u>13,168</u>
		<u>538,472</u>
Special Revenue:		
Capital Projects	Enterprise:	
	Water	<u>69,155</u>
Total		<u>\$ 607,627</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF PLEASANT HILL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2004

(17) ACCOUNTING CHANGE AND RESTATEMENTS

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*, and Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Required Supplementary Information

CITY OF PLEASANT HILL

Required Supplementary Information
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
					Original	Final	
Receipts:							
Property tax	\$ 2,668,482	\$ -	\$ -	\$ 2,668,482	\$ 1,771,302	\$ 1,771,302	\$ 897,180
Tax increment financing collections	1,294,555	-	-	1,294,555	1,198,726	1,350,000	(55,445)
Other City tax	13,165	-	-	13,165	895,318	895,318	(882,153)
Licenses and permits	189,212	-	-	189,212	156,100	156,100	33,112
Uses of money and property	58,062	24,121	-	82,183	30,269	30,269	51,914
Intergovernmental	666,313	-	-	666,313	611,821	861,821	(195,508)
Charges for service	157,267	1,858,285	-	2,015,552	2,114,850	2,164,850	(149,298)
Special assessments	72,577	-	-	72,577	400,000	400,000	(327,423)
Miscellaneous	1,081,837	78,790	-	1,160,627	105,200	679,658	480,969
Total receipts	<u>6,201,470</u>	<u>1,961,196</u>	<u>-</u>	<u>8,162,666</u>	<u>7,283,586</u>	<u>8,309,318</u>	<u>(146,652)</u>
Disbursements:							
Public safety	1,036,255	-	-	1,036,255	1,102,760	1,102,760	66,505
Public works	567,577	-	-	567,577	688,031	688,031	120,454
Health and social services	5,654	-	-	5,654	6,500	6,500	846
Culture and recreation	503,001	-	-	503,001	519,581	535,581	32,580
Community and economic development	1,015,949	-	-	1,015,949	190,573	1,074,573	58,624
General government	347,348	-	-	347,348	373,076	373,076	25,728
Debt service	1,347,848	-	-	1,347,848	2,097,116	1,347,848	-
Capital projects	2,835,298	-	-	2,835,298	5,300,771	8,125,771	5,290,473
Business-type activities	-	1,733,294	-	1,733,294	1,865,951	1,915,951	182,657
Non-program	-	-	-	-	-	-	-
Total disbursements	<u>7,658,930</u>	<u>1,733,294</u>	<u>-</u>	<u>9,392,224</u>	<u>12,144,359</u>	<u>15,170,091</u>	<u>5,777,867</u>
Excess (deficiency) of receipts over (under) disbursements	(1,457,460)	227,902	-	(1,229,558)	(4,860,773)	(6,860,773)	5,631,215
Other financing sources (uses), net:	<u>2,176,961</u>	<u>(141,104)</u>	<u>-</u>	<u>2,035,857</u>	<u>-</u>	<u>2,000,000</u>	<u>35,857</u>
Excess (deficiency) of receipts over (under) disbursements and other financing uses:	719,501	86,798	-	806,299	(4,860,773)	(4,860,773)	5,667,072
Balances beginning of year	<u>5,635,474</u>	<u>939,260</u>	<u>-</u>	<u>6,574,734</u>	<u>6,429,517</u>	<u>6,574,734</u>	<u>-</u>
Balances end of year	<u>\$ 6,354,975</u>	<u>\$ 1,026,058</u>	<u>\$ -</u>	<u>\$ 7,381,033</u>	<u>\$ 1,568,744</u>	<u>\$ 1,713,961</u>	<u>\$5,667,072</u>

See accompanying independent auditor's notes.

CITY OF PLEASANT HILL

Required Supplemental Information

Notes To Required Supplementary Information - Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except internal service funds and fiduciary funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital project funds and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$3,025,732. This budget amendment is reflected in the final budgeted amounts.

Other Supplementary Information

CITY OF PLEASANT HILL

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2004

	Special Revenue									Permanent		
	Road Use Tax	Drug Enforcement Agency	Employee Benefit Tax	TIF Industrial District	TIF East Urban	Avenue of Flags	Park and Recreation Complex	Library	Memorial	Antennae Deposit	Cemetary Perpetual Care	Total
Receipts:												
Property tax	\$ -	\$ -	\$ 41,894	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,894
Tax increment financing collections	-	-	-	147,553	157,897	-	-	-	-	-	-	305,450
Use of money and property	-	225	-	-	-	-	621	78	-	273	453	1,650
Intergovernmental	422,268	-	-	-	-	-	-	-	-	-	-	422,268
Charges for services	-	-	-	-	-	-	-	-	-	-	2,200	2,200
Total receipts	422,268	225	41,894	147,553	157,897	-	621	78	-	273	2,653	773,462
Disbursements:												
Operating:												
Public safety	-	5,000	41,894	-	-	-	-	-	-	-	-	46,894
Public works	357,530	-	-	-	-	-	-	-	-	-	-	357,530
Community and economic development	-	-	-	147,553	162,399	-	-	-	-	-	-	309,952
Total disbursements	357,530	5,000	41,894	147,553	162,399	-	-	-	-	-	-	714,376
Excess (deficiency) of receipts over (under) disbursements	64,738	(4,775)	-	-	(4,502)	-	621	78	-	273	2,653	59,086
Other financing sources (uses):												
Sale of assets	-	1,278	-	-	-	-	-	-	-	-	-	1,278
Total other financing sources (uses)	-	1,278	-	-	-	-	-	-	-	-	-	1,278
Net change in cash balances	64,738	(3,497)	-	-	(4,502)	-	621	78	-	273	2,653	60,364
Cash balances beginning of year	75,127	29,904	-	-	12,612	2,000	52,475	20,357	1,121	8,907	36,694	239,197
Cash balances end of year	\$ 139,865	\$26,407	\$ -	\$ -	\$ 8,110	\$ 2,000	\$ 53,096	\$ 20,435	\$ 1,121	\$ 9,180	\$39,347	\$ 299,561
Cash Basis Fund Balances												
Unreserved:												
Special revenue funds	\$ 139,865	\$26,407	\$ -	\$ -	\$ 8,110	\$ 2,000	\$ 53,096	\$ 20,435	\$ 1,121	\$ 9,180	\$ -	\$ 260,214
Permanent fund	-	-	-	-	-	-	-	-	-	-	39,347	39,347
Total cash basis fund balances	\$ 139,865	\$26,407	\$ -	\$ -	\$ 8,110	\$ 2,000	\$ 53,096	\$ 20,435	\$ 1,121	\$ 9,180	\$39,347	\$ 299,561

See accompanying independent auditor’s notes.

CITY OF PLEASANT HILL

Schedule of Indebtedness

Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General Obligation Bonds:								
Corporate Purpose	Jul 1, 1998	4.55 - 4.80%	\$ 500,000	\$ 330,000	\$ -	\$ 50,000	\$ 280,000	\$ 15,313
Refunding Notes Series 1998	Nov 1, 1998	3.95 - 4.45%	2,355,000	2,120,000	-	210,000	1,910,000	88,403
Corporate Purpose	Aug 1, 1999	4.70 - 5.00%	335,000	250,000	-	30,000	220,000	12,025
Fire Equipment Notes	May 1, 2000	5.15 - 5.80%	870,000	790,000	-	45,000	745,000	43,345
Corporate Purpose	Aug 1, 2000	5.15 - 5.50%	400,000	335,000	-	35,000	300,000	17,740
Corporate Purpose	Jul 1, 2001	4.20 - 4.60%	370,000	320,000	-	50,000	270,000	13,920
Corporate Purpose and Refunding	Mar 1, 2003	1.60 - 3.60%	1,335,000	1,335,000	-	230,000	1,105,000	38,081
Urban Renewal Corporate Purpose	May 1, 2003	2.50 - 3.45%	4,655,000	4,655,000	-	315,000	4,340,000	151,523
Urban Renewal	April 15, 2004	2.70 - 3.80%	2,000,000	-	2,000,000	-	2,000,000	-
				<u>\$10,135,000</u>	<u>\$2,000,000</u>	<u>\$ 965,000</u>	<u>\$11,170,000</u>	<u>\$ 380,350</u>
Revenue Bonds								
Des Moines Metropolitan Wastewater Reclamation Authority	Various	Various	\$2,311,909	\$ 1,469,623	\$ -	\$ 167,018	\$1,302,605	\$ 50,965
Des Moines Water Works	Jun 1, 1997	5.25 - 5.40%	1,920,000	1,710,000	-	80,000	1,630,000	74,139
				<u>\$ 3,179,623</u>	<u>\$ -</u>	<u>\$ 247,018</u>	<u>\$2,932,605</u>	<u>\$125,104</u>
Lease Purchase Agreements								
Dump Truck	Oct 15, 2001	4.81%	\$ 53,663	\$ 32,150	\$ -	\$ 10,217	\$ 21,933	\$ 1,546
Dump Truck	Oct 15, 2001	4.81%	53,663	32,150	-	10,217	21,933	1,546
Police Vehicle	Jan 28, 2002	6.55%	21,060	6,588	-	6,588	-	432
				<u>\$ 70,888</u>	<u>\$ -</u>	<u>\$ 27,022</u>	<u>\$ 43,866</u>	<u>\$ 3,524</u>

See accompanying independent auditor’s report.

CITY OF PLEASANT HILL

Bond Maturities

June 30, 2004

Year Ending June 30,	General Obligation Bonds													
	Corporate Purpose Notes		Refunding Notes Series 1998		Corporate Purpose Notes		Fire Equipment Notes		Corporate Purpose and Refunding Bonds Series 2003 A		Urban Renewal Corporate Purpose Bonds Series 2003B		Corporate Purpose Notes	
	Issued July 1, 1998		Issued November 1, 1998		Issued August 1, 1999		Issued May 1, 2000		Issued March 1, 2003		Issued May 1, 2003		Issued August 1, 2000	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2005	4.55%	\$ 50,000	3.95%	\$ 210,000	4.70%	\$ 35,000	5.15%	\$ 45,000	1.60%	\$ 235,000	2.500%	\$ 555,000	5.15%	\$ 35,000
2006	4.60	55,000	4.05	235,000	4.75	35,000	5.20	50,000	1.95	180,000	2.900	415,000	5.20	40,000
2007	4.65	55,000	4.10	240,000	4.80	35,000	5.25	50,000	2.25	170,000	2.900	430,000	5.25	40,000
2008	4.70	60,000	4.15	185,000	4.85	35,000	5.30	55,000	2.55	80,000	2.900	445,000	5.30	45,000
2009	4.80	60,000	4.20	190,000	4.90	40,000	5.35	55,000	2.85	80,000	2.950	460,000	5.35	45,000
2010	-	-	4.25	200,000	5.00	40,000	5.40	60,000	3.10	85,000	3.125	480,000	5.40	45,000
2011	-	-	4.30	205,000	-	-	5.50	60,000	3.30	90,000	3.250	495,000	5.50	50,000
2012	-	-	4.40	220,000	-	-	5.60	65,000	3.50	90,000	3.350	520,000	-	-
2013	-	-	4.45	225,000	-	-	5.65	70,000	3.60	95,000	3.450	540,000	-	-
2014	-	-	-	-	-	-	5.70	75,000	-	-	-	-	-	-
2015	-	-	-	-	-	-	5.75	80,000	-	-	-	-	-	-
2016	-	-	-	-	-	-	5.80	80,000	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total		\$ 280,000		\$1,910,000		\$ 220,000		\$ 745,000		\$ 1,105,000		\$ 4,340,000		\$ 300,000

See accompanying independent auditor’s report.

CITY OF PLEASANT HILL

BOND AND NOTE MATURITIES - CONTINUED

June 30, 2004

Year Ending June 30,	General Obligation Bonds				
	Corporate Purpose Notes		Urban Renewal Municipal Building Bond		Total
	Issued July 1, 2001		Issued April 15, 2004		
	Interest Rates	Amount	Interest Rates	Amount	
2005	4.20%	\$ 55,000	2.70%	\$ 85,000	\$ 1,305,000
2006	4.30	55,000	2.70	110,000	1,175,000
2007	4.40	55,000	2.75	110,000	1,185,000
2008	4.50	55,000	2.80	115,000	1,075,000
2009	4.60	50,000	2.85	115,000	1,095,000
2010	-	-	2.90	120,000	1,030,000
2011	-	-	2.95	125,000	1,025,000
2012	-	-	2.95	130,000	1,025,000
2013	-	-	3.15	135,000	1,065,000
2014	-	-	3.30	140,000	215,000
2015	-	-	3.40	150,000	230,000
2016	-	-	3.50	155,000	235,000
2017	-	-	3.60	160,000	160,000
2018	-	-	3.70	170,000	170,000
2019	-	-	3.80	180,000	180,000
		<u>\$ 270,000</u>		<u>\$ 2,000,000</u>	<u>\$11,170,000</u>

See accompanying independent auditor's report.

CITY OF PLEASANT HILL

Schedule of Receipts by Source and Disbursements by Function -
All Governmental Fund Types

For the Last Four Years

	2004	2003	2002	2001
Receipts:				
Property	\$ 2,668,482	\$ 2,159,251	\$ 2,115,987	\$ 1,564,173
Tax increment financing collections	1,294,555	956,186	656,321	441,610
Other city tax	13,165	27,825	26,214	440,010
Licenses and permits	189,212	180,061	229,556	114,539
Use of money and property	58,062	29,968	50,952	162,220
Intergovernmental	666,313	1,294,725	965,032	1,410,638
Charges for services	157,267	124,439	77,767	55,942
Special assessments	72,577	179	250	14,927
Miscellaneous	1,081,837	135,462	125,623	161,228
Total	<u>\$ 6,201,470</u>	<u>\$ 4,908,096</u>	<u>\$ 4,247,702</u>	<u>\$ 4,365,287</u>
Disbursements:				
Operating:				
Public safety	\$ 1,036,255	\$ 980,569		
Public works	567,577	502,021		
Health and social services	5,654	5,914		
Culture and recreation	503,001	502,888		
Community and economic development	1,015,949	294,959		
General government	347,348	249,869		
Debt service	1,347,848	1,983,270		
Capital projects	2,835,298	1,699,395		
Total	<u>\$ 7,658,930</u>	<u>\$ 6,218,885</u>		

Disbursements prior to 2003 were classified in activities under pre-GASB 34 rules using Community Protection, Human Development, Home and Community Environment and Policy and Administration functions.

See accompanying independent auditor's report.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Pleasant Hill, Iowa as of and for the year ended June 30, 2004, and have issued our report thereon dated August 25, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Pleasant Hill's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for Items II-A-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Pleasant Hill's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Pleasant Hill's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the accompanying Schedule of Findings, we believe item II-A-04 is a material weakness. The prior year's reportable conditions have been resolved except for items II-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Pleasant Hill and other parties to whom the City of Pleasant Hill may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Pleasant Hill during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, P.C.

West Des Moines, Iowa
August 25, 2004

CITY OF PLEASANT HILL

SCHEDULE OF FINDINGS

Year ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF PLEASANT HILL

SCHEDULE OF FINDINGS

Year ended June 30, 2004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITION:

II-A-04 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should continue to monitor its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will monitor the procedures as suggested.

Conclusion - Response accepted.

CITY OF PLEASANT HILL

SCHEDULE OF FINDINGS

Year ended June 30, 2004

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-04 Official Depositories - A resolution naming official depositories has been approved by the Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- III-B-04 Certified Budget - Disbursements during the year ended June 30, 2004 did not exceed budgeted amounts.
- III-C-04 Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- III-D-04 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-E-04 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Joel Huggins, Police Officer, Owner of A.D.A. Mowing	Turf Mowing	\$ 54,094
David Bellnap, Public Works, Owner ADW Hawkeye Storage	Storage Rental	\$ 600

These transactions do not appear to represent a conflict of interest since they were entered into through competitive bidding.

- III-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.
- III-G-04 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-H-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-I-04 Revenue Notes - The City has complied with the urban renewal tax increment financing refunding bond requirements for the year ended June 30, 2004.

CITY OF PLEASANT HILL

SCHEDULE OF FINDINGS

Year ended June 30, 2004

Part III: Other Findings Related to Required Statutory Reporting: - Continued:

III-J-04 Employee Benefit Tax - The revenue from the county levied to help pay employee benefit tax was recorded in the General Fund. These funds should be reported in the Special Revenue Fund.

Recommendation - The City should establish a Special Revenue Fund for the employee benefit tax and recognize revenues and disbursements related to this activity in this fund.

Response - The City will adopt such procedures.

Conclusion - Response accepted.

III-K-04 Annual Report - The annual report for the fiscal year ended June 30, 2003, filed during the current year, reported only the current portion of the revenue bond debt instead of the total debt.

Recommendation - The City should adopt procedures for review of the report for accuracy prior to publishing and submitting report.

Response - The City will adopt such procedures.

Conclusion - Response accepted.